



Investment CORNERSTONES

SUPPLEMENTAL RETIREMENT PLAN NEWS



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FOR INFO REGARDING YOUR RETIREMENT PLAN CONTACT THE FOLLOWING:

Supplemental Retirement
Plan (457)
1-800-228-8076
bbandt.com/planlink

NC 401(k) Plan 5267
prudential.com/ncplans

Dear Fellow Employees:

Year-End 2016

Calendar year 2016 pleasantly surprised investors with the S&P 500 Index gaining 12.0%, foreign stocks 1.0 %, and bonds 2.7 %. The first half of the year fluctuated down and recovered showing a small gain at mid-year. The second half of the year rallied in the third and fourth quarters. Plan assets grew by \$10 million and ended the year at \$139.8 million (see table below). We are pleased that over the last three years, the number of plan participants grew from 3,059 to 3,573, a gain of 14.4 %. The diversified portfolios have been well received, with 67 % of participants using a portfolio. The portfolios provide broad diversification using the funds in the Plan and relieve you from having to select individual funds.

The City of Raleigh contributes two dollars for every one dollar on the first 1.5 % of pay that a General Employee contributes to the Plan. For an employee making \$30,000 per year, this means you contribute \$450 per year (about \$8.65 per week) and the City contributes \$900. Your \$450 immediately grows to \$1,350 before it is even invested. We encourage everyone to make sure they are contributing at least 1.5 % of pay.

The economy has grown at approximately 2% per year for the last seven years, and after a slow start picked up speed during the second half, ending 2016 with a 1.6 % growth rate. The Federal Reserve forecasts growth of 1.9 % to 2.4 % for 2017. Economic indicators point towards more steady growth and the probability of slipping into a recession remains low. The consumer is healthy (unemployment rate below 5% as well as rising wages), corporate profits bottomed out in the second quarter and are now moving higher, and governments (local, state, and Federal) are spending more. All of these trends were in place prior to the election and there is some thinking that actions of the new administration in Washington will continue to support the current positive economic environment for the immediate future.

This edition of *Investment Cornerstones* will revisit how to invest in uncertain times (some of this will sound familiar to long-time readers), and provide a summary of new services offered by BB&T, the Plan's Trustee and Record Keeper.

- City of Raleigh Supplemental Retirement
Plan Committee

SUPPLEMENTAL RETIREMENT PLAN (457) - ASSET SUMMARY (000)

Funds	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Vanguard Federal Money Market	\$17,168	\$18,088	\$17,987	\$17,432	\$17,101	\$16,326
Dodge & Cox Income	14,864	17,667	17,634	19,080	18,812	14,641
Metropolitan West Total Return Bond	--	--	--	--	--	6,956
Vanguard Wellington	5,228	5,903	6,934	7,561	7,322	8,026
Vanguard Windsor II	4,616	5,279	7,006	7,821	8,012	8,825
Vanguard Institutional Index	10,953	12,087	16,126	18,233	18,748	20,428
American AMCAP	10,363	12,407	16,729	18,448	18,646	19,423
Vanguard S&P 400 Mid Cap Index	4,241	4,108	5,230	5,782	6,081	7,194
Artisan Mid Cap	4,150	4,081	5,384	5,677	5,862	5,924
Victory Sycamore Established Value	2,411	2,434	3,411	3,695	3,651	4,355
Dreyfus Small Stock Index	2,092	2,286	3,064	3,295	3,230	4,076
Walthausen Small Cap Value	--	1,064	1,763	1,911	1,894	2,225
T. Rowe Price QM Small-Cap Growth	1,795	1,805	2,558	2,679	2,926	3,087
Oppenheimer International Growth	1,976	2,656	3,553	3,772	3,784	4,185
Templeton Foreign Equity	5,386	5,133	6,100	6,269	6,375	6,637
Matthews Asia Dividend	1,297	2,337	3,080	3,403	3,466	3,927
Loans	3,150	3,122	3,657	4,041	3,860	3,555
TOTALS	\$89,690	\$100,457	\$120,216	\$129,099	\$129,770	\$139,790



Supplemental Retirement Plan (457) Expenses ‹‹

The Supplemental Retirement Plan Committee reviews fees on a recurring basis to insure Plan expenses remain competitive. We are pleased to report that expenses are approximately 0.48% of assets annually. Our Plan, in most cases, uses low-cost mutual funds that contain no sales charges or commissions. The weighted average cost is 0.33% of assets. Typical mutual funds and insurance products may charge much higher fees. Expense ratios are deducted from the funds daily, and fund performance is shown net of fees. Participants pay an administration fee of 0.15% of assets. The City of Raleigh pays the investment consulting fee of less than 0.04% plus the matching contributions.

What's an Investor to Do?

We are all inundated with information these days and the speed of change seems to be accelerating. Concerns about the economy, political transitions, global events, as well as the recurring question of how to invest our money seem to constantly nag at us. When making investment decisions in uncertain and rapidly changing times, it may be helpful to slow down and catch your breath; investment basics rarely change. Investing for retirement is a long-term process which begins when you enter the workforce and you start contributing to a retirement plan, and continues through your retirement years. The keys to success are quite simple in theory: contribute on a regular basis, invest your money wisely, and stay disciplined. The only change in retirement is that you stop contributing and start taking money out of your accounts. You still need to invest wisely and stay disciplined.

Putting theory into practice gets more challenging if you try to do it on your own. Investing wisely means focusing on your asset allocation (mix of stocks and fixed income investments). In the long run, stocks have averaged a return of approximately 10% and bonds 5% per year. It stands to reason that a portfolio with more in stocks should earn a higher rate of return; however, the trade-off is that portfolios with more in stocks tend to fluctuate more in the short run. Studies show that most of your long-term performance comes from your asset allocation. Concerns over short-term events could easily cause you to doubt your investment decisions and lead you to jump in and out of the market. This lack of discipline typically leads to disappointing results.

Our Plan offers five pre-mixed investment portfolios with different levels of stocks and bonds ranging from 25% to 100% in stocks. The portfolios are constructed by our independent investment consultant using the funds in our Plan. Your assets are diversified professionally, and the portfolios are rebalanced on a quarterly basis to keep them in line with each portfolio's fund allocations and the risk level you selected. The portfolios with 25%, 40%, or 60% in stocks would be appropriate for those nearing or in retirement. The portfolios with 80% or 100% in stocks are typically used by younger employees or aggressive investors. For a career employee with substantial Social Security and Pension benefits, there may be a desire to seek more growth with their Supplemental Retirement Plan assets to offset the long-term impact of inflation or to leave assets to a future generation. As of 12/31/16, the Plan had 3,573 participants, of which 827 are terminated employees who left their money in the plan. Approximately 67% (2,392) participants elected to invest their accounts in the Portfolios.



What Are Recent Retirees Doing?

In recent years, we added an installment payout option to our Plan that allows participants to leave their money in the Plan and receive monthly or quarterly income payments from BB&T. You may also request a withdrawal in addition to your regular income payment should you need extra funds. Besides convenience and confidence in the way the Plan is managed, these participants benefit from the Plan's low expenses and quality investment options. Total Plan expenses billed to participants are 0.48% of assets, of which 0.33% is the investment expense and 0.15% is the administrative expense. The City of Raleigh pays the investment consulting fee. Our service providers receive no commissions on the products or services used in the Plan. Our investment consultant, IRA Group, is a Registered Investment Advisor (RIA), and serves the plan as a fiduciary.

Enhancements at BB&T

If you have not logged on to PlanTrac recently, you will be surprised with numerous enhancements. The menu is more user-friendly and easier to maneuver with simplified options. You will find the quarterly newsletter "On Track" that highlights articles relating to your retirement. There are new tools giving you the ability to estimate your potential retirement income by entering specific account information. Additionally, easy to use retirement calculators allow you to see if you are on track for retirement.

BB&T recently added a Mobile App that allows you to monitor account activity, confirm your savings, review loan balances, and view your account balance and investment elections. Visit the website for details on how to add this feature to your smartphone.

If you have not accessed the Employee Benefit Network (EBN) on the website, now would be a great time to check it out. You will find Plan Highlights for a quick review of Plan provisions, as well as various forms and educational material. Please remember, you also have the ability to add and update your beneficiary information online.

Supplemental Retirement Plan Committee Guidance

Investment Cornerstones is a semi-annual newsletter produced by the Supplemental Retirement Plan Committee for the sole purpose of helping employees with their retirement planning. The Committee is not attempting to provide investment or tax advice. Participants should seek the help of investment and accounting professionals for specific advice.

Investment Policy «

The Supplemental Retirement Plan Committee has adopted a formal Investment Policy that defines the fund selection criteria and performance benchmarks used for monitoring the funds. Each fund must meet demanding standards to include: established managers, low fees, proper diversification, consistent performance, and competitive returns. The Committee meets every quarter with the Plan's consultants and reviews each fund compared to its benchmarks. When a fund does not meet its benchmarks, it is watched more closely. The Committee may give it some time to show improvement, but if the Committee loses confidence in a fund, it may be replaced at any time.



my contribution & investment worksheet

You make all contribution and investment elections by telephone or the internet.
Contact BB&T at: 1-800-228-8076 or visit their website at www.bbt.com/planlink.

Contribution Election: _____ % of pay. (from 1% to 80% of pay). Check one: ☐ Traditional 457 or ☐ ROTH 457

Investment Election: ☐ 1. If you want automatic diversification and rebalancing on 100% of your account, you may select one of the five "Diversified Portfolios" and your balance and contributions will be spread over the funds provided in the plan and rebalanced every calendar quarter.

Date: _____ ☐ 2. If you want to custom design your own asset allocation and fund mix, fill in your elections under "Your Custom Investments," and select a rebalancing frequency.



	Lower ←	Risk →	Higher	
Portfolio Retirement	Portfolio #1	Portfolio #2	Portfolio #3	Portfolio #4
75% Fixed 25% Stock	60% Fixed 40% Stock	40% Fixed 60% Stock	20% Fixed 80% Stock	0% Fixed 100% Stock
<div>75%</div>	<div>60%</div>	<div>40%</div>	<div>20%</div>	<div>0%</div>
21%	20%	10%	4%	0%
27%	20%	15%	8%	0%
27%	20%	15%	8%	0%
<div>0%</div>	<div>0%</div>	<div>0%</div>	<div>0%</div>	<div>0%</div>
0%	0%	0%	0%	0%
<div>12%</div>	<div>18%</div>	<div>27%</div>	<div>37%</div>	<div>45%</div>
4%	6%	9%	12%	15%
4%	6%	9%	13%	15%
4%	6%	9%	12%	15%
<div>5%</div>	<div>9%</div>	<div>12%</div>	<div>16%</div>	<div>21%</div>
2%	3%	4%	6%	7%
1%	3%	4%	5%	7%
2%	3%	4%	5%	7%
<div>2%</div>	<div>3%</div>	<div>6%</div>	<div>7%</div>	<div>9%</div>
1%	1%	2%	3%	3%
0%	1%	2%	2%	3%
1%	1%	2%	2%	3%
<div>6%</div>	<div>10%</div>	<div>15%</div>	<div>20%</div>	<div>25%</div>
2%	4%	5%	7%	9%
2%	3%	5%	7%	8%
2%	3%	5%	6%	8%
100%	100%	100%	100%	100%

FUNDS

Fixed Income:

1. Stable Value (Vanguard Federal Money Market) %

2. Bond (Dodge & Cox Income) %

3. Bond (Metropolitan West Total Return Bond) %

Multi Asset (Stocks & Bonds):

4. Value Balanced (Vanguard Wellington) %

Large-Cap Stock:

5. Value (Vanguard Windsor II) %

6. Growth & Value (Vanguard Institutional Index) %

7. Growth (American Funds AMCAP) %

Mid-Cap Stock:

8. Value (Victory Sycamore Established Value) %

9. Growth & Value (Vanguard S&P Mid-Cap 400 Idx) %

10. Growth (Artisan Mid Cap) %

Small-Cap Stock:

11. Value (Waltheusen Small Cap Value) %

12. Growth & Value (Dreyfus Small Stock Index) %

13. Growth (T. Rowe Price QM Small-Cap Growth) %

International Stock:

14. Foreign (Templeton Institutional Foreign Equity) %

15. Foreign (Oppenheimer International Growth) %

16. Specialty (Matthews Asia Dividend) %

Your Custom Investments

Your Model: % Fixed % Stock

Auto Rebalance: (Check One)

☐ Quarterly

☐ Semi-Annual

☐ Annual

☐ No